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NEA FOR FRONT OFFICE AND IPA, NSC FOR ABRAMS/DORAN/WATERS

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SUBJECT: CODEL ACKERMAN MEETS WITH PALESTINIAN FOREIGN
MINISTER ABU AMR AND FINANCE MINISTER FAYYAD

Classified By: Consul General Jake Walles, per reasons 1.4 (b) and (d).

¶1. (C) Summary: Rep. Gary Ackerman met with PA Finance Minister Salam Fayyad on April 9 and Foreign Minister Ziad Abu Amr on April 10. Fayyad focused on the impact of financial restrictions, the importance of security reform, and Fatah's lack of internal reform. In his first meeting with a USG official since becoming Foreign Minister, Abu Amr praised the national unity government (NUG), urged a U.S. policy of "constructive engagement," and suggested he meet with Secretary Rice. Abu Amr said he will meet in Cairo on April 18 with other Arab FM's to follow up on the Arab Summit in Riyadh. End summary.

FAYYAD ON FINANCIAL CONSTRAINTS, SECURITY, AND FATAH REFORM

¶2. (C) Finance Minister Fayyad told Ackerman current resource constraints and banking restrictions are "really biting," despite an increase in overall external assistance in 2006. Fayyad speculated that the NUG will receive less external assistance in 2007 than the Hamas-led government received in 2006 and said the Finance Ministry he inherited looks nothing like the one he left in 2005. There is extra-budgetary spending and de facto separation between West Bank and Gaza. While the acute lack of funds is challenging, he believes the institutional degradation is even more critical.

¶3. (C) He said he is trying to lower significant domestic expectations of the NUG because it has not yet met international requirements. Fayyad thinks the NUG's top priorities should be securing Israeli Cpl. Shalit's release and calming inter-factional tensions. He stressed the importance of security reform, saying if he had an extra \$100 million he would spend it on security and that, "unless...we have the security capacity to back up the outcome of elections or a referendum...the government will not work."

¶4. (C) Asked by Ackerman whether Fatah had learned from its 2006 legislative defeat, Fayyad said there has been some movement toward reform, but it is inadequate. He said Fatah is still controlled by an old guard that engages in self-destructive behavior and did not choose bright individuals to fill its NUG cabinet slots. At a recent cabinet meeting on security, he noted that Fatah ministers did not raise concerns about the Hamas Executive Force, but left it to the independents to voice these concerns. (Note: Rep. Ackerman was accompanied by ConGen Economic Chief, a ConGen Control Officer, and two House Foreign Affairs Committee staff. The meeting was held at the Grand Park Hotel in Ramallah.)

ABU AMR ON THE NUG, U.S. ENGAGEMENT, AND HAMAS, EVOLUTION

15. (C) Foreign Minister Abu Amr, a political independent who helped draft the Mecca Agreement that created the NUG, put the best possible face on the new government in his April 10 meeting with Ackerman. He argued that forming the NUG was the only way to contain Hamas, and it had generated three positive outcomes: (1) Violence decreased; (2) Hamas, social program of Islamization had been neutralized; and (3) President Abbas gained clear authority to negotiate with Israel. Abu Amr claimed the new government was more diverse, liberal, and progressive than its Hamas-led predecessor.

16. (C) Rep. Ackerman and the Deputy Principal Officer both stressed that the USG has seen little difference between the NUG and its Hamas-led predecessor. They stressed that the U.S. is looking for the NUG to comply with Quartet conditions in word and deed, and we are waiting to see if the government can stop Qassam rocket fire into Israel and restore law and order in Gaza. Abu Amr argued that forming the NUG represented tremendous progress and the U.S., as an "honest broker and the primary sponsor of peace in the region," should encourage further evolution with a policy of "constructive engagement." He asked why Secretary Rice had refused to meet him on a previous visit and proposed a meeting on her next visit; ConGen Deputy Principal Officer noted that no Palestinian Foreign Minister has had a bilateral meeting with the Secretary.

17. (C) Abu Amr suggested that the Palestinian people view the NUG as an alternative to Hamas rule, rather than a continuation of it. He said the public, therefore, will not give political credit to Hamas, which failed to govern for the past year, but might attribute the NUG's failure to President Abbas. He also claimed that Deputy PM Azzam

JERUSALEM 00000689 002.2 OF 002

al-Ahmed had more genuine power running the NUG's daily operations than PM Haniyeh, and he said the U.S. should "empower those who represent the antithesis of Hamas." Reiterating his own status as an independent, Abu Amr said Hamas is evolving and joined the NUG knowing that it was based on PLO agreements which include implicit recognition of Israel. Abu Amr claimed Khaled Mesha'al accepted Israel's existence as a fact and is ready to negotiate, but will use formal recognition as a bargaining chip. (Note: Rep. Ackerman was accompanied by the ConGen Deputy Principal Officer, a ConGen Control Officer, and two House Foreign Affairs Committee staff. The meeting was held at the Grand Park Hotel in Ramallah.)

18. (U) Rep. Ackerman did not have an opportunity to clear this cable before departure.

WALLES